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Message Text

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AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03
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R 102058Z DEC 76
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 8659
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
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E.O. 11652: N/A
TAGS: ELAB, PINT, UK
SUBJECT: WORKERS INCH UP TOWARDS THE EXECUTIVE SUITE

SUMMARY. SINCE 1973 WHEN THE TUC ANNUAL CONGRESS FIRED ITS FIRST MAJOR SALVO IN SUPPORT OF INDUSTRIAL DEMOCRACY, THE IDEA OF BRITISH WORKERS ON COMPANY BOARDS HAS MOVED GRADUALLY BUT INEXORABLY FORWARD. IT WILL BE GIVEN FURTHER IMPETUS NEXT WEEK WHEN THE BULLOCK COMMITTEE OF INQUIRY INTO INDUSTRIAL DEMOCRACY IN THE PRIVATE SECTOR SIGNS (DECEMBER 14) AND LATER PUBLISHES (JANUARY 17, 1977) ITS REPORT. THE COMMITTEE IS EXPECTED TO RECOMMEND A SINGLE-TIER BOARD FOR BRITISH COMPANIES WITH 2,000 OR MORE EMPLOYEES (ABOUT 600 COMPANIES) UNDER A FORMULA
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(KNOWN AS 2X # Y)BY WHICH WORKERS AND EMPLOYERS WOULD

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NAME AN EQUAL NUMBER OF DIRECTORS AND THEN, TOGETHER, WOULD "CO-OPT" A SMALLER GROUP -- OR "THIN, THIRD SLICE". THE SYSTEM WOULD BE COMPULSORY AFTER CERTAIN CONDITIONS WERE MET. THE GOVERNMENT IS EXPECTED TO INTRODUCE LEGISLATION IN THIS PARLIAMENTARY SESSION, BUT EVEN IF ALL SUBSTANTIAL HURDLES WERE OVERCOME, THERE IS NOT LIKELY TO BE A WORKER ON ANY BOARD UNDER SUCH LEGISLATION UNTIL LATE 1979 OR EARLY 1980. END SUMMARY.

1. A MEMBER OF THE BULLOCK COMMITTEE, GEORGE BAIN, A WARWICK UNIVERSITY PROFESSOR OF INDUSTRIAL RELATIONS, HAS GIVEN US THE BASIC OUTLINES OF THE COMMITTEE'S RECOMMENDATIONS. THE MAJORITY (LORD BULLOCK, CHAIRMAN; NICHOLAS WILSON, COMPANY LAW EXPERT; JACK JONES, CLIVE JENKINS, DAVID LEA, TUC; WILLIAM WEDDERBURN OF LONDON SCHOOL OF ECONOMICS; AND BAIN) IS RECOMMENDING A SINGLE TIER BOARD SYSTEM TO BE INTRODUCED INITIALLY IN BRITISH COMPANIES WITH MORE THAN 2,000 EMPLOYEES (ABOUT 600 COMPANIES). WORKERS AND EMPLOYERS WOULD HAVE EQUAL REPRESENTATION ON THE BOARDS AND TOGETHER WOULD NAME OR "CO-OPT" A SMALLER GROUP WHICH BAIN CALLS A "THIN, THIRD SLICE". IN THIS FORMULA (KNOWN AS 2X # Y), THE WORKERS AND EMPLOYERS WOULD HAVE PARITY, BUT WOULD STILL BE A MINORITY. (WHILE THE TUC PROPOSAL CALLED FOR 50 OF WORKERS'REPRESENTATION ON THE SUPERVISORY BOARD IN A TWO-TIER SYSTEM, DAVID LEA, TUC CHIEF ECONOMIST, TELLS US THE TUC IS SATISFIED WITH THE 2X # Y FORMULA AND A SINGLE TIER BOARD.) THERE WOULD BE A LEGAL COMPULSION ON THE PART OF COMPANIES TO SET THE APPROPRIATE MACHINERY IN MOTION FOR WORKER DIRECTORS PROVIDING (A) IT IS REQUESTED BY ONE OR MORE RECOGNIZED UNIONS ORGANIZING A MINIMUM OF 20 PERCENT OF THE TOTAL NUMBER OF EMPLOYEES AND (B) OVER 50 PERCENT OF THE TOTAL NUMBER OF EMPLOYEES VOTE IN FAVOR. (BAIN NOTES THAT THESE TWO CONDITIONS WERE SUGGESTED IN ORDER TO MEET THE ARGUMENT FROM OPPONENTS OF THE WORKER DIRECTOR CONCEPT THAT MOST EMPLOYEES ARE INDIFFERENT OR HOSTILE, AND IN ORDER TO RECOGNIZE THAT SOME UNIONS FAVOR WORKERS ON THE BOARD WHILE OTHERS DO NOT.)

2. THE BULLOCK COMMITTEE IS ALSO RECOMMENDING THE LIMITED OFFICIAL USE

ESTABLISHMENT OF A JOINT REPRESENTATIVE COMMITTEE AT COMPANY LEVEL OF ALL UNIONS INVOLVED. THIS NEW INFRASTRUCTURE, SAYS BAIN, WOULD BE RESPONSIBLE FOR CHOOSING THE WORKERS ON THE BOARDS. HE ADDS THAT THE "LAWYERS REQUIRE SOME BODY TO BE IDENTIFIED AND PROPERLY CONSTITUTED FOR THIS PURPOSE".

3. THREE MEMBERS WHO WERE NOMINATED BY THE CONFEDERATION

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OF BRITISH INDUSTRY (CBI) HAVE PREPARED A MINORITY REPORT. THEY ARE BARRIE HEATH, CHAIRMAN OF GUEST-KEENE-NETTLEFORD; SIR JACK CALLARD, FORMER ICI CHAIRMAN; AND NORMAN BIGGS, A BANKER. ESSENTIALLY, THE MINORITY REOORT WILL (A) EMPHASIZE PREFERENCE FOR A TWO-TIER BOARD AND (B) PROPOSE THAT THE WORKERS' SHARE OF DIRECTORS' SEATS BE LIMITED TO ONE-THIRD. HOWEVER, DESPITE THEIR OBJECTIONS, THESE ARE NOT MATTERS OF BASIC PRINCIPLE SINCE THEY ACCEPT THE NECESSITY OF LEGAL COMPULSION TO

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PLACE WORKERS ON COMPANY BOARDS. THE MINORITY IS NONE-

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THELESS A SOURCE OF EMBARRASSMENT TO THE CONFEDERATION OF BRITISH INDUSTRY SINCE THE CBI HAS PROPOSED A VERY LIMIT-ED PARTICIPATION SCHEME -- ONE WHICH FALLS VERY FAR SHORT OF WHAT THE BULLOCK COMMITTEE MINORITY IS PREPARED TO ACCEPT. ALLEN SWINDON, DEPUTY DIRECTOR GENERAL OF THE CBI, TOLD US SOMEWHAT RUEFULLY THAT THE THREE CBI NOMINEES APPEAR "TO HAVE LET DOWN THEIR SIDE." HE SAID THAT THE CBI IS.ADAMANTLY OPPOSED TO ANY COMPULSORY SYS-TEM OF WORKER DIRECTORS AND INSISTS THAT THE CBI WILL CONTINUE TO PRESS FOR ITS OWN PROPOSALS.

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4. TO BE SURE, THE TRADE UNIONS ARE BY NO MEANS UNIFORM-LY ENTHUSIASTIC ABOUT WORKER PARTICIPATION. SOME UNIONS HAVE MADE THEIR OPPOSITION TO WORKERS ON THE BOARDS CLEAR HUGH SCANLON, LEFT-WING PRESIDENT OF THE TUC'S SECOND LARGEST UNION, THE AMALGAMATED UNION OF ENGINEERING WORKERS, TOLD PARTICIPANTS AT A LONDON CONFERENCE ON DECEMBER 6 THAT HIS UNION "ENTIRELY DISAGREES" WITH THE TUC POSITION ON WORKER DIRECTORS FOR PRIVATE SECTOR COMPANIES. "WE BELIEVE", HE SAID, "WE SHOULD RESOLVE THE PROBLEM OF THE PRIVATE SECTOR BY AN EXPANSION OF INDUSTRIAL RELATIONS AND COLLECTIVE BARGAINING." FRANK CHAPPLE, RIGHT-WING GENERAL SECRETARY OF THE ELECTRICIANS UNION, SHARES THE SCANLON VIEW. ANOTHER LEADER, DAVID BASNETT, GENERAL SECRETARY OF THE TUC'S THIRD LARGEST UNION, THE GENERAL AND MUNICIPAL WORKERS UNION, IS A DEVIATIONIST FROM TUC POLICY RATHER THAN AN OUTRIQHT OPPONENT, FOR HE URGES THAT PLACING WORKERS ON THE BOARDS BE CONSIDERED AS ONLY ONE OF SEVERAL OPTIONS TOWARD THE GOAL OFATTAINING INDUSTRIAL DEMOCRACY.

5. THE CONSERVATIVES ARE LIKELY TO OPPOSE A COMPULSORY SYSTEM OF WORKER DIRECTORS, AS JAMES PRIOR, SHADOW EMPLOYMENT SECRETARY, INDICATED AT THE SAME CONFERENCE WHICH SCANLON ADDRESSED. HE SAID: "IF WORKERS' REPRESENTATIVES ARE FORCED ON THE BOARDS, EITHER THEY WILL BECOME TOO CLOSELY IDENTIFIED WITH COMPANY POLICY AND THEREFORE LOSE THE CONFIDENCE OF THEIR CONSTITUENTS, OR THE BOARD WILL BE TURNED INTO CONTINUOUS DIALOGUE WITH NO DECISION MAKING AND NO REAL POWER."

6. IT WOULD SEEM THAT THE PATH AHEAD FOR THE PROPOSED LEGISLATION IS STREWN WITH HURDLES OF ONE KIND OR ANOTHER -- SUCH AS SIGNIFICANT OPPOSITION BY A PART OF THE TRADE UNION MOVEMENT, SUBSTANTIAL OPPOSITION WITHIN INDUSTRY AND PERHAPS IMPLACABLE OPPOSITIONFROM THE CONSERVATIVES, AND THE GOVERNMENT CANNOT BE CERTAIN OF SUPPORT FROM ALL OF ITS SIDE OF THE HOUSE. YET THE GOVERNMENT IS NOW

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COMMITTED TO LEGISLATION OF SOME KIND WHICH WOULD (A) PLACE X NUMBER OF WORKERS ON THE BOARDS AND (B) LINK THEIR SELECTION TO THE TRADE UNIONS. MOREOVER, EVEN IF AN EARLY ELECTION IS NOT LIKELY, THE GOVERNMENT MAY WELL
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WISH TO DEMONSTRATE WHEN IT DOES FACE THE ELECTORATE THAT IT CAN OFFER A QUID PRO QUO TO SOME OF THE TUC'S STAUNCHEST GUARDIANS OF THE SOCIAL CONTRACT -- LIKE JACK JONES, GENERAL SECRETARY OF THE TRANSPORT AND GENERAL WORKERS UNION (THE LARGEST TUC UNION) AND LEN MURRAY, TUC GENERAL SECRETARY. THEY ARE ALSO AMONG THE STRONGEST SUPPORTERS OF WORKERS ON COMPANY BOARDS. BAIN, WHO, WITH HIS FELLOW COMMITTEE MEMBERS, HAS EXPLORED THE PROBLEM OF WORKERS PARTICIPATION FOR A FULL YEAR -- BOTH IN THE UK AND IN OTHER EC COUNTRIES -- DOUBTS THAT THE GOVERNMENT BILL TO BE INTRODUCED THIS SESSION "WILL GET VERY FAR" BUT "IT WILL BE RE-INTRODUCED IN THE 1977-78 SESSION". HE ADDS, HOWEVER, THAT "EVEN IF THE HOUSE OF LORDS DOES NOT TRY TO MUTILATE THE BILL AND ITSAILS THROUGH PARLIAMENT SMOOTHLY, I DON'T EXPECT TO SEE A WORKER APPOINTED TO ANY BOARD UNDER NEW LEGISLATION UNTIL THE END OF 1979 OR THE BEGINNING OF 1980".

ARMSTRONG

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